METROPOLITAN TORONTO

ANNUAL HOUSING REPORT

1981

Metropolitan Toronto Planning Department

May, 1982

The Municipality of
Metropolitan Toronto

Planning Department

May 27, 1982

TO: THE ECONOMIC DEVELOPMENT AND PLANNING COMMITTEE

RE: METROPOLITAN TORONTO ANNUAL HOUSING REPORT

The Metropolitan Official Plan directs that a review of the housing market in Metropolitan Toronto be undertaken annually. The first annual review was published in 1981 and provided comparative data for the period 1976 to 1980.

The attached report is essentially a summary of housing activity within Metropolitan Toronto during 1981, with comparison provided primarily with the performance during 1980.

The report identifies a potentially serious shortfall in the availability of rental housing and recommends that the 1982 Annual Housing Report focus on an analysis of the demand for rental accommodation within Metropolitan Toronto and the potential to satisfy this demand through redevelopment and/or the more efficient use of the existing housing stock.

Planning Department staff is now undertaking a survey and study of assisted housing needs in the municipality. The survey will provide a profile of tenant households in Metropolitan Toronto which will be of assistance in the proposed 1982 Housing Report.

The attached report is for your information. It is suggested that copies be sent to members of Metropolitan Council and to area municipalities for their information.

R. J. Bower
Commissioner of Planning

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1.0 INTRODUCTION

The Metropolitan Official Plan directs that a review of the housing market in Metropolitan Toronto be undertaken annually. The first annual review was published in 1981 and provided comparative data for the period 1976 to 1980.

This report will present data for 1981, with comparison provided primarily with the performance during 1980. Due to other commitments in the work program, research and analysis for this review were curtailed. The following is essentially a summary of housing activity within Metropolitan Toronto during 1981.

2.0 ECONOMIC AND GOVERNMENT POLICY CONTEXT

2.1 The Economy

In 1981 the Canadian economy improved in comparison to 1980. The real domestic product increased 2.6% compared to 0.4% in 1980[1]. Ontario's economy grew by 2.2%, well behind the growth rate in the four western provinces which varied between 3% and 5%. Ontario's economic growth weakened in the second half of 1981 due to high interest rates and lower consumer expenditures.

The Canadian economy has continued to be plagued by high unemployment with an unemployment rate of 7.6% for Canada as a whole. Metropolitan Toronto's unemployment rate of 4.9% was considerably lower than the rest of Ontario where the unemployment rate was 6.6%. This is a reflection of the more diversified economic base of Metropolitan Toronto. Nevertheless, by December, 1981, the number of unemployed in Metropolitan Toronto had grown to 89,000 -up nearly 40% from December of 1980.

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1. The real domestic product is a composite measure of changes in the level of production based on indices of growth in various sectors of the economy.

The overall rate of inflation in Canada in 1981 was 12.1% - up from the 1980 rate of 11.2%. The increase was mainly due to increased housing and transportation costs. In Metropolitan Toronto the consumer price index was 11.8%, somewhat lower than the national figure, but up from 10.9% in 1980. At the same time the average weekly wage in Metropolitan Toronto (based on the Industrial Composite Index) rose 11.7% from $320.65 in November, 1980 to $358.16 in November, 1981.

The major factor currently affecting the housing market is high interest rates. In order to combat inflation and to bolster the Canadian dollar, the Federal government has allowed interest rates to reach even higher levels than were observed in 1980. Mortgage rates increased in response to high interest rates from 15% for a conventional five-year mortgage in January of 1981 to a peak rate of 21.5% in September, 1981. By the end of the year, the mortgage rate had fallen to the 18% level. Figure 1 illustrates the variation in mortgage rates and the prime lending rate over the two year period.

The continuing high interest rates have decreased the accessibility of ownership housing for renter households and may be responsible for the downturn in rental housing starts and completions. Surprisingly, they do not appear to have affected single family unit construction which showed an increase both in Metropolitan Toronto and, more markedly, in the four surrounding regional municipalities.

2.2 Government Policies

In 1981 the Provincial government introduced the Ontario Rental Construction Loan Program (ORCL). Under the ORCL program, builders could obtain interest-free loans which varied on a graduated basis from $4,200 per unit (at interest rates of 15% or lower) up to $6,000 per unit (at interest rates of 18.5% or more). These loans were to be repaid after 25 years and repayment was to begin in the 16th

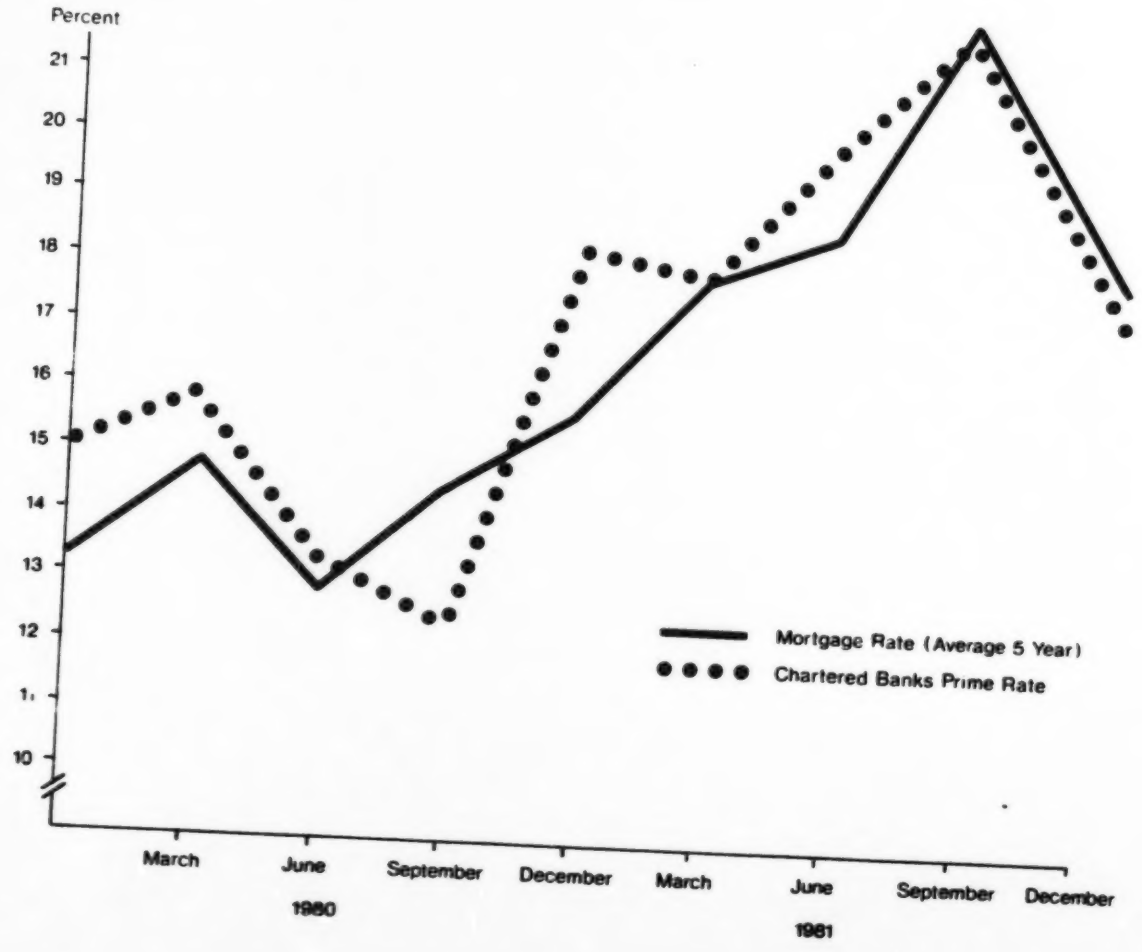

FIGURE 1:
PRIME LENDING RATE AND
MORTGAGE RATES, 1980 AND 1981

year. Owners were required to set aside 15 to 20% of the units for the rent supplement program provided the local housing authority determined there was a need for such units. The program was anticipated to produce an additional 15,000 units in Ontario. This program had virtually no effect on apartment construction in Metropolitan Toronto in 1981 but is expected to influence the level of starts in 1982.

With the introduction of the budget in November, 1981, the Federal goverment announced that the Multiple Unit Residential Building (M.U.R.B.) program would be discontinued at the end of of the year[1]. Furthermore, effective at the time the budget was introduced, investors in rental construction could no longer write off "soft costs" incurred before the completion of construction. i.e., soft costs such as promotion expenses, legal, accounting, mortgage fees, interest expenses incurred during the construction of the project. The government subsequently announced that soft costs would continue to be fully deductible for tax purposes, provided the footings of the building were in place before January 1, 1982, and that investors who were first-time purchasers of a certified M.U.R.B. could deduct against all income the interest on funds borrowed to purchase their share of the building.

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1. Under M.U.R.B. an investor could claim a capital cost allowance or depreciation at the rate of 5% to generate a loss which could be deducted against other income. Ordinarily one cannot generate a loss due to depreciation on buildings unless there was a profit. Under M.U.R.B., this restriction was removed and, therefore, the program acted as a tax shelter for those who would then claim this loss against other income.

The Federal government also announced that it would provide interest-free loans of up to $7,500.00 a unit to stimulate the production of 15,000 rental units across the country. While the program was announced in November 1981, details were not worked out until April, 1982 and it now appears that the Federal government is willing to increase the interest-free loan where needed. As the ORCL program was terminated in December, 1981, it is not yet clear whether the Ontario government will be providing loans to builders of rental construction that could be piggy-backed onto the Federal loan program.

In the area of assisted housing, the major vehicle for providing low-income housing continued to be through the mixed income programs, i.e., the municipal non-profit, the private non-profit and the co-operative housing program. Under these programs, rents are set at the low end of market and the Federal government will write down mortgages to 2% to cover operating losses and to subsidize the rents of lower-income households. Under the municipal non-profit, the Provincial government provides up to 100% of the Federal grant if further funding is needed to ensure that 25% of units in a family building or 50% of units in a senior building are available on a rent-geared-to-income basis. In January, 1981, the Provincial government introduced the Ontario Community Housing Assistance Program which provides additional funding to co-operatives and private non-profits to ensure that 25% of family units and 50% of senior units are available for lower income households.

3.0 HOUSING ACTIVITY

3.1 Starts

In 1981 the number of starts in Metropolitan Toronto decreased slightly (by 350 units) from the 1980 figure. Table 1 indicates that the reduction in starts in the inner three municipalities, particularly in

apartment starts in the City of Toronto, was offset by increases in the three suburban municipalities, most markedly by an increase in single family construction in Etobicoke.

For the first time in almost a decade apartment starts in Metropolitan Toronto were less than 50% of total unit starts. Only Etobicoke and Scarborough registered slight increases over apartment starts of the previous year.

Within the four regional municipalities starts in 1981 increased over the previous year by 7,000 units (about 56%). This increase occurred in all housing types and generally within each of the regions (Table 2). As in Metropolitan Toronto this short-term growth in new construction occurred primarily in the single family unit category and was less significant for other housing types.

Durham Region registered the largest percentage increase in starts (over 100%) but Peel Region the largest numerical increase (2500 units). Based on the previous year's figures and given the prevailing economic conditions, these increases within the four regions are significant. The total units started, however, only represents a return to 1979 levels.

The increase in unit starts in the four regions (56%), together with the stable condition in Metropolitan Toronto resulted in an increase in housing starts in the Metropolitan region of about 6,700 units or 30% over the previous year.

3.2 Completions

Completions within Metropolitan Toronto declined significantly in 1981. Total unit completions of 8,843 units represented only 63% of completions in 1980 and a decline of over 40% over the average for the previous five years. This decline was primarily accounted for by a decline in apartment completions which decreased 50% in 1981 to 4,059 units -the lowest level in more than a decade.

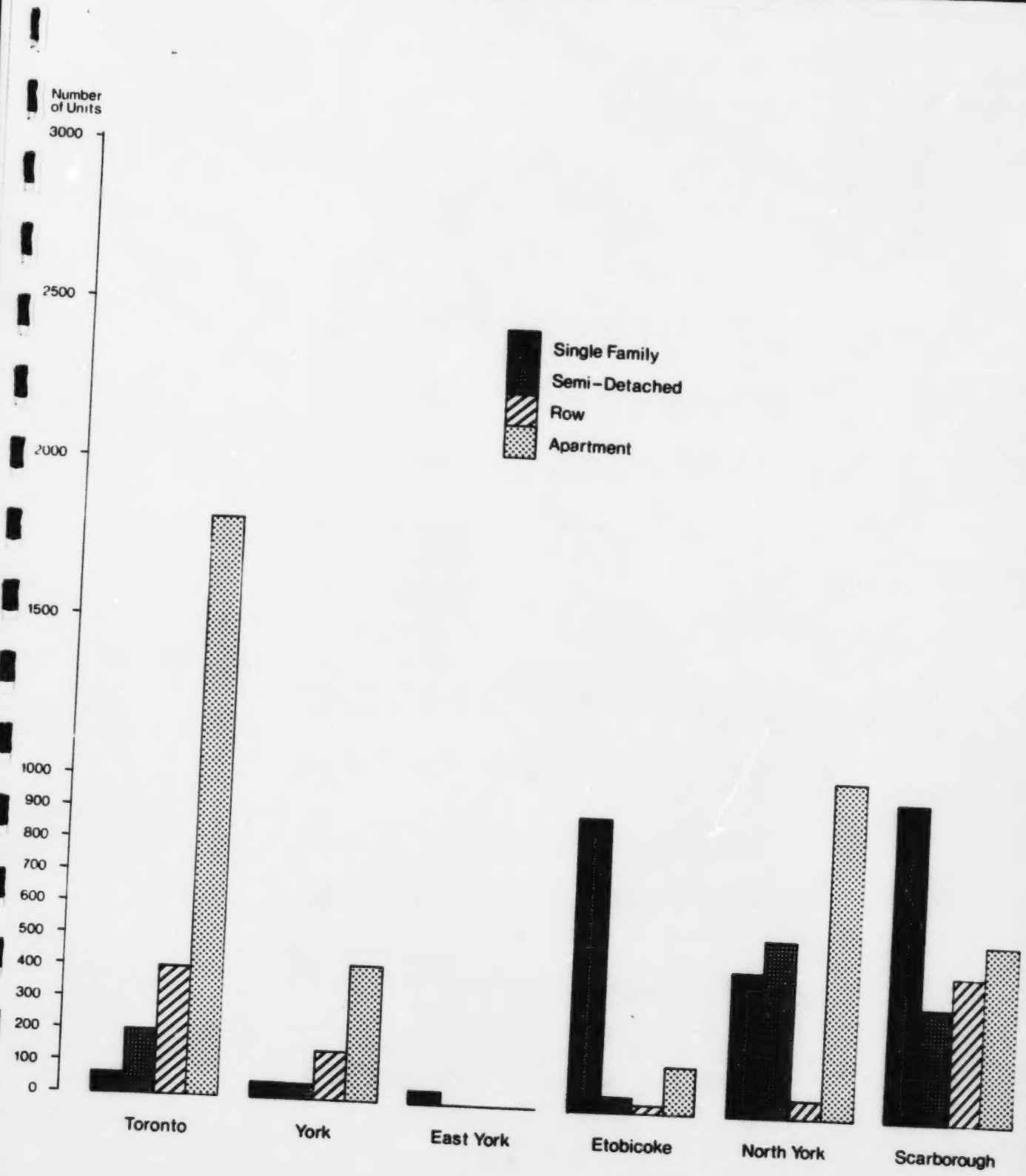
Production of row and apartment units declined in all area municipalities, except York where completions increased from 0 in 1980 to about 600 units in 1981.

Completions of single family units remained stable over the two year period, but a decrease of 400 units in Scarborough was offset by a similar increase in Etobicoke. The relative unit completions by type in Metropolitan Toronto is illustrated on Figure 2.

The significant decrease in unit completions in Metropolitan Toronto was partially offset by the increase in production within the four regional municipalities. As a result, completions within the Toronto Region declined from 28,800 units in 1980 to 27,200 in 1981. The greatest increase in the four regions was in single family units (an additional 3,000 over 1980). Only row housing units registered an absolute decline of just under 500 units. The bulk of increased production occurred in Peel Region where both single family and apartment units increased by about 1200 units each.

In the short term, the pattern of unit completions within the Toronto Region in 1981 represents a change over the average of the last five years.

The regions have been satisfying the largest proportion of new demand for ground related housing within the Toronto Region in recent years, and at the same time the proportion of apartments in their housing stock has been slowly increasing. While generally this trend continued, the decline in apartment construction within Metropolitan Toronto, without a similar decline in single family housing, resulted in an overall shift in the availability of new housing by unit type within the Toronto Region.



SOURCE C M H C

FIGURE 2:
HOUSING COMPLETIONS BY TYPE FOR METROPOLITAN TORONTO, 1981

TABLE: 1

HOUSING STARTS AND COMPLETIONS IN METROPOLITAN TORONTO
1980 and 1981

		STARTS					COMPLETIONS				
		Singles	Semis	Row	Apt.	Total	Singles	Semis	Row	Apt.	Total
Toronto	1980	29 (1%)	166 (5%)	469 (14%)	2,696 (80%)	3,360 (100%)	30 (1%)	104 (3%)	662 (16%)	3,264 (80%)	4,060 (100%)
	1981	62 (3%)	182 (8%)	338 (15%)	1,684 (74%)	2,266 (100%)	46 (2%)	196 (8%)	416 (17%)	1,825 (73%)	2,483 (100%)
York	1980	14 (2%)	14 (2%)	177 (25%)	510 (71%)	715 (100%)	22 (61%)	14 (39%)	0	0	36 (100%)
	1981	27 (12%)	62 (26%)	0	145 (62%)	234 (100%)	23 (4%)	24 (4%)	177 (27%)	432 (65%)	656 (100%)
East York	1980	29 (100%)	0	0	0	29 (100%)	30 (100%)	0	0	0	30 (100%)
	1981	19 (100%)	0	0	0	19 (100%)	26 (100%)	0	0	0	26 (100%)
Etobicoke	1980	420 (40%)	86 (8%)	208 (20%)	338 (32%)	1,052 (100%)	417 (21%)	206 (10%)	243 (12%)	1,113 (57%)	1,979 (100%)
	1981	1,094 (63%)	16 (1%)	78 (4%)	561 (32%)	1,749 (100%)	915 (81%)	46 (4%)	10 (1%)	161 (14%)	1,132 (100%)
North York	1980	365 (19%)	306 (16%)	72 (4%)	1,218 (61%)	1,961 (100%)	466 (16%)	166 (6%)	234 (8%)	1,960 (70%)	2,826 (100%)
	1981	505 (25%)	620 (30%)	65 (3%)	863 (42%)	2,053 (100%)	443 (21%)	536 (25%)	63 (3%)	1,071 (51%)	2,113 (100%)
Scarborough	1980	813 (36%)	546 (24%)	439 (19%)	468 (21%)	2,266 (100%)	1,445 (29%)	862 (18%)	747 (15%)	1,873 (38%)	4,927 (100%)
	1981	983 (36%)	346 (13%)	487 (18%)	898 (33%)	2,714 (100%)	1,010 (42%)	370 (15%)	483 (20%)	570 (23%)	2,433 (100%)
Metro Toronto	1980	1,670 (18%)	1,118 (12%)	1,365 (15%)	5,230 (55%)	9,383 (100%)	2,410 (17%)	1,352 (10%)	1,886 (14%)	8,210 (59%)	13,858 (100%)
	1981	2,690 (30%)	1,226 (14%)	968 (11%)	4,151 (45%)	9,035 (100%)	2,463 (28%)	1,172 (13%)	1,149 (13%)	4,059 (46%)	8,843 (100%)

Source: C.M.H.C. - Toronto Office

TABLE: 2

HOUSING STARTS AND COMPLETIONS IN THE 'FOUR' SURROUNDING REGIONS, METROPOLITAN TORONTO AND THE METROPOLITAN REGION, 1980 and 1981

		STARTS					COMPLETIONS				
		Singles	Semis	Row	Apt.	Total	Singles	Semis	Row	Apt.	Total
Peel	1980	2,648 (41%)	1,544 (23%)	433 (7%)	1,873 (29%)	6,498 (100%)	2,492 (38%)	1,596 (24%)	987 (15%)	1,473 (23%)	6,548 (100%)
	1981	4,001 (44%)	1,212 (13%)	1,155 (13%)	2,655 (30%)	9,023 (100%)	3,654 (40%)	2,024 (22%)	893 (10%)	2,672 (28%)	9,243 (100%)
York	1980	2,845 (78%)	400 (11%)	419 (11%)	0 (100%)	3,664 (54%)	2,836 (70%)	1,036 (20%)	644 (12%)	732 (14%)	5,248 (100%)
	1981	4,427 (78%)	894 (16%)	299 (5%)	33 (1%)	5,653 (100%)	4,100 (80%)	588 (12%)	355 (7%)	31 (1%)	5,074 (100%)
Durham	1980	565 (49%)	306 (26%)	27 (2%)	258 (23%)	1,156 (100%)	875 (68%)	202 (16%)	110 (8%)	111 (8%)	1,298 (100%)
	1981	1,661 (57%)	404 (14%)	24 (1%)	830 (28%)	2,919 (100%)	1,274 (63%)	404 (20%)	24 (1%)	306 (16%)	2,008 (100%)
Halton	1980	812 (62%)	224 (17%)	197 (15%)	84 (6%)	1,317 (100%)	969 (52%)	437 (23%)	184 (10%)	282 (15%)	1,872 (100%)
	1981	1,249 (60%)	434 (21%)	131 (6%)	252 (13%)	2,066 (100%)	1,135 (56%)	404 (20%)	190 (9%)	306 (15%)	2,035 (100%)
4 Regions	1980	6,870 (54%)	2,474 (20%)	1,076 (9%)	2,215 (17%)	12,635 (100%)	7,172 (48%)	3,271 (22%)	1,925 (13%)	2,598 (17%)	14,966 (100%)
	1981	11,338 (58%)	2,944 (15%)	1,609 (8%)	3,770 (19%)	19,661 (100%)	10,163 (55%)	3,420 (19%)	1,462 (8%)	3,315 (18%)	18,360 (100%)
Metro Toronto	1980	1,670 (18%)	1,118 (12%)	1,365 (15%)	5,230 (55%)	9,383 (100%)	2,410 (17%)	1,352 (10%)	1,886 (14%)	8,210 (59%)	13,858 (100%)
	1981	2,690 (30%)	1,226 (14%)	968 (11%)	4,151 (45%)	9,035 (100%)	2,463 (28%)	1,172 (13%)	1,149 (13%)	4,059 (46%)	8,843 (100%)
Toronto Region	1980	8,540 (39%)	3,592 (16%)	2,441 (11%)	7,445 (34%)	22,018 (100%)	9,582 (33%)	4,623 (16%)	3,811 (13%)	10,808 (38%)	28,824 (100%)
	1981	14,028 (49%)	4,170 (15%)	2,577 (8%)	7,921 (28%)	28,696 (100%)	12,626 (46%)	4,592 (17%)	2,611 (10%)	7,374 (27%)	27,203 (100%)

Source: C.M.H.C. Ontario Office

3.3 Subdivision Activity in Metropolitan Toronto

Comparable data on subdivision activity in Metropolitan Toronto was not available for the Regional Municipalities. In general, the majority of unit production within the four regional municipalities occurs on lands within recently registered plans of subdivision. The decrease in the availability of previously undeveloped lands within Metropolitan Toronto tends to reduce the importance of subdivision activity in the provision of new housing stock.

Table 3 provides a comparison of the total number of units registered on plans of subdivision within Metropolitan Toronto for the years 1976-1980, in 1980 and in 1981. As might be anticipated, subdivision activity occurs primarily in the three suburban municipalities, with North York and Scarborough exhibiting the highest number of registrations. While little change has occurred between 1980 and 1981, both years represent a decrease of about one third over the average of the previous five year period.

Table 4 presents a break down of subdivision activity by stage of approval and unit type as at the end of 1981. Subdivision activity last year was centred on North York and Scarborough, with the bulk of ground related units of all types in the latter municipality. The apartment registration statistics for North York are somewhat misleading in that 80% of the unit potential (1296 units) are located in one project.

In an essentially developed municipality such as Metropolitan Toronto, subdivision activity is only a partial indicator of the potential for new housing production. There is seldom a close relationship between the level of subdivision activity in one year and unit starts and completions in the following year.

TABLE: 3

TOTAL UNITS REGISTERED ON PLANS OF SUBDIVISION IN METROPOLITAN TORONTO
1976 - 1980, 1980, 1981

MUNICIPALITY	1976 - 1980 Average	%	1980 Total	%	1981 Total	%
Toronto	214	4.2	256	8	2	.05
York	24	0.5	0	0	27	.8
East York	9	0.2	0	0	0	0
Etobicoke	436	8.5	914	28	321	9.05
North York	1,012	19.8	1,573	48	1,602	45.1
Scarborough	3,414	66.8	547	16	1,598	45.0
Metropolitan Toronto	5,109	100	3,290	100	3,550	100%

Source: Current Operations Division
Metropolitan Toronto Planning Department, 1982

TABLE: 4

SUBDIVISIONS: SUBMITTED, DRAFT APPROVED AND REGISTRED
BY UNIT TYPE IN
METROPOLITAN TORONTO, 1981

Municipality	Single Detached	Semi-Detached	Townhouses	Apt.	TOTAL
Toronto					
Submitted	2	33	0	0	35
Draft Approval	0	0	0	0	0
Registered	0	2	0	0	2
York					
Submitted	0	0	0	0	0
Draft Approval	0	0	0	0	0
Registered	27	0	0	0	27
East York					
Submitted	0	0	0	0	0
Draft Approval	0	0	0	0	0
Registered	0	0	0	0	0
Etobicoke					
Submitted	0	0	0	0	0
Draft Approval	605	0	0	0	605
Registered	321	0	0	0	321
North York					
Submitted	48	0	0	1,034	1,082
Draft Approval	28	0	0	0	28
Registered	64	185	57	1,296	1,602
Scarborough					
Submitted	1,402	354	198	886	2,840
Draft Approval	1,668	341	73	776	2,858
Registered	334	1,103	161	0	1,598
Metro Toronto					
Submitted	1,452	387	198	1,920	3,957
Draft Approval	2,301	341	73	776	3,491
Registered	746	1,290	218	1,296	3,550

Source: Current Operations
Metropolitan Toronto Planning Department, 1982

3.4 Condominium Units Registered in Metropolitan Toronto

Table 5 indicates the five year average (1976-1980) and the 1981 registrations for condominium units in Metropolitan Toronto. As with subdivision registrations it is difficult to draw a direct correlation between registrations in one year and production in the following year. However, it is evident that a sharp decline in registrations for row and apartment condominium units has been experienced in all municipalities except the City of Toronto. This continued strength in the City of Toronto may reflect an expectation for a continued market for high cost condominium units. A market for similarly priced units does not appear to have been established in the other Metropolitan municipalities.

The incidence of condominium production will be discussed in relation to apartment activity in the following section.

4.0 APARTMENT STARTS AND COMPLETIONS IN METROPOLITAN TORONTO

Despite the significant decline in production of apartment units in Metropolitan Toronto in 1981, they still represent the largest proportion of units by type, and are close to 50% of total unit production. In addition, apartment production is geared to distinctly different segments of the housing market: private rental, social housing and condominium. Social housing in this context refers to housing built by the Metropolitan Toronto Housing Company for senior citizens (which are 100% rent-geared-to-income); municipal non-profit projects containing both market rental and rent-geared-to-income units (built by the City of Toronto and the Metropolitan Toronto Housing Company), and private non-profit and co-operative projects which also contain both market and rent-geared-to-income units.

Table 6 indicates the break down of apartment starts and completions by each of the three market types. The data on this table was obtained

TABLE: 5

CONDOMINIUM UNITS REGISTERED IN METROPOLITAN TORONTO
AVERAGE FROM 1976 to 1980 and 1981

Municipality	1976 - 1980			1981		
	Townhouses	Apt.	Total	Townhouses	Apt.	Total
Toronto	115 (24%)	347 (76%)	462 (100%)	253 (20%)	1,045 (80%)	1,298 (100%)
York	0	394 (100%)	394 (100%)	0	132 (100%)	132 (100%)
East York	5 (31%)	11 (69%)	16 (100%)	0	0	0
Etobicoke	122 (44%)	155 (56%)	277 (100%)	0	0	0
North York	385 (33%)	757 (67%)	1,142 (100%)	0	0	0
Scarborough	497 (49%)	498 (51%)	995 (100%)	31 (10%)	270 (90%)	301 (100%)
Metro Toronto	1,124 (34%)	2,162 (66%)	3,286 (100%)	284 (16%)	1,447 (84%)	1,731 (100%)

Source: Current Operations
Metropolitan Toronto Planning Department, 1982

from Canada Mortgage and Housing Company and slight discrepancies occur in the totals between it and Table 1. As a result, comment will be limited to the overall performance of each market type.

As previously indicated, a decline occurred in starts, and more dramatically in completions between 1980 and 1981. Construction of private rental units was most seriously affected by this downturn and four of the six area municipalities registered neither starts nor completions during 1981. The City of Toronto alone experienced a 90% decline in completions of private rental apartments. Given the low number of private rental starts in both years, little improvement can be expected in completions in the near future.

While social housing starts remained more or less constant over the two year period, the number of completions declined by two-thirds in 1981. Despite this decline, rental units constructed under various social housing programs exceeded the number of new private rental units in Metropolitan Toronto. The potential impact on low income families can be gauged by examining the waiting lists for assisted housing in Metropolitan Toronto (Table 7). Both senior citizen and family applicants have increased to the three agencies providing low income housing. The number of families applying for housing assistance has increased by more than 50%. This may be a reflection of a recent trend by private owners to escape rent control restrictions by undertaking major renovations which permit rent increases considerably in excess of the prevailing six percent.

Only condominium starts remained firm, and completions more than tripled between 1980 and 1981 indicating that private apartment construction is increasingly geared to ownership rather than the rental market.

Recent developments in the rental housing market are discussed below.

Table: 6

APARTMENT STARTS AND COMPLETIONS BY PROGRAM in METRO TORONTO, 1980 and 1981

		Starts				Completions			
		Private Rental*	Social Housing**	Condominium	Total	Private Rental*	Social Housing**	Condominium	Total
Toronto	1980	168	1,044	1,444	2,656	1,119	1,707	261	3,087
	1981	17	772	886	1,675	96	436	1,086	1,618
York	1980	0	510	0	510	0	0	0	0
	1981	0	144	0	144	0	300	18	318
East York	1980	0	0	0	0	0	0	0	0
	1981	0	0	0	0	0	0	0	0
Etobicoke	1980	179	0	155	334	939	148	174	1,261
	1981	103	456	0	559	0	0	155	155
North York	1980	0	248	797	1,045	733	1,016	210	1,959
	1981	0	125	738	863	0	248	823	1,071
Scarborough	1980	468	0	0	468	1,320	0	549	1,869
	1981	0	254	644	898	300	0	270	570
Metro Toronto	1980	815	1,802	2,396	5,013	4,111	2,871	1,194	8,176
	1981	120	1,751	2,268	4,139	396	984	2,409	3,789

Source: C.M.H.C. Note: * includes NON-N.H.A. units and Section 6 rental units; ** includes assisted private rental, Sections 43 and 56.1

Table: 7

WAITING LISTS FOR ASSISTED HOUSING IN METROPOLITAN TORONTO
AS OF DECEMBER 31, 1980 AND 1981

	Senior Applicants			Family Applicants		
	1980	1981	% Change	1980	1981	% Change
Metropolitan Toronto Housing Company	1,893	2,295	21.2	420	583	38.8
City of Toronto Housing Department	N/A	N/A	N/A	2,500	3,966	58.6
Metropolitan Toronto Housing Authority	533	580	8.8	3,160	4,758	50.6
TOTAL	2,426	2,875	18.5	6,080	9,307	53.1

Source: Each agency provided the waiting list figures for their respective portfolios

N/A means "not applicable"

5.0 THE RENTAL HOUSING MARKET

It has already been noted in this report that private rental construction declined dramatically in 1981. For example, private rental apartment completions declined from 4,111 in 1980 to 330 in 1981 - a decline of 90%. This decline reflects the termination of the Assisted Rental Program - a federal program that provided interest-free loans of up to $100.00 per unit per month for a 10-year period to cover the difference between costs and market rents. Private rental apartment starts in Metropolitan Toronto were almost non-existent in 1981 with a total of only 120 units, a decline of 85% from the 1980 level of 815. Even in the social housing field, apartment completions were down from 2,871 in 1980 to 984 units in 1980 although starts were close to the 1980 level.

The introduction of the Ontario Rental Construction Loan Program (ORCL) in January 1981 has had virtually no impact on rental starts in Metropolitan Toronto in 1981. The effects of this program should, however, be noticeable in 1982 since approximately 1,258 units were approved under the program - 41 units in the City of Toronto, 675 units in North York and 542 units in Scarborough. All of these buildings were also undertaken with MURB certification. ORCL was more effective in stimulating rental construction outside of Metro - most noticeably in Brampton and Mississauga where 1,802 units and 2,194 units respectively were approved under ORCL.

Private rental construction has become economically unviable because of high land and construction costs and high interest rates. A study undertaken by Clayton Research Associates earlier this year indicated that the average cost of producing an apartment unit in Canada in 1981 was $44,109 and that this would require an economic rent of $601.00 at 12% interest rates and $773.00 at 18%[1]. This study argues that the

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1. Clayton Research Assoc. Ltd., Prospects for the Rental Housing Market in Canada, 1981-1986, December 1981. Prepared for the Toronto Home Builders' Association.

Note: Economic rent is defined in the study as the rent required to cover financing and operating costs and a return on equity equal to the mortgage rate at rates of 14% and lower and at least 15% for rates of 15% of more.

cure for the rental market is to allow market rents to rise to the level of economic rents and to initiate a rents shelter allowance scheme for those unable to afford the increased rents.

It is not surprising, given the low level of apartment construction in Metropolitan Toronto, that the vacancy rate in October, 1981, declined to 0.3% from O.5% in October, 1981, as shown on Table 8. The vacancy rate was lowest for 1-bedroom apartments (0.2%) and 2-bedroom apartments (0.3%), although bachelors and 3-bedroom apartments were not far behind.

The City of Toronto has identified a growing problem involving the demolition and/or upgrading of moderate rental apartments to luxury apartments and, in the case of demolitions, to condominiums, thereby reducing the availability of moderate rental accommodation. It is not yet known to what extent this trend is also occurring in other municipalities.

The average rents for apartments in Metropolitan Toronto in October 1980 and 1981 are shown on Table 9. Rents for bachelor units rose about 11% from $245.00 to $271.00; for 1-bedrooms about 9% from $294.00 to $321.00; for 2-bedrooms about 9% from $345.00 to $376.00; for 3-bedrooms about 8% from $406.00 to $440.00. Surprisingly rents declined for 4-bedroom units from $502.00 to $406.00, a decline of almost 20%. It is somewhat difficult to explain the relatively high increase in rents given that rent controls limit increases without rent review to 6%. One can only speculate that the 10% increases are the combined result of higher rents in non-rent-controlled units, and an increase in successful applications for rent review.

There appears to be a trend in Metropolitan Toronto of more landlords requesting rent increases above the level permitted under rent review legislations, i.e., 6%. Data was obtained from the Residental Tenancy Commission's annual report for the fiscal year ending March 31, 1981,

TABLE: 8

VACANCY RATES IN OCTOBER 1980 and 1981
for
TORONTO C.M.A.

Municipality	BACHELOR			1 BEDROOM			2 BEDROOM			3+ BEDROOM			TOTAL		
	Oct. '80	Oct. '81	12 mo. change	Oct. '80	Oct. '81	12 mo. change	Oct. '80	Oct. '81	12 mo. change	Oct. '80	Oct. '81	12 mo. change	Oct. '80	Oct. '81	12 mo. change
Toronto	1.0	0.5	-0.5	0.2	0.3	+0.1	0.3	0.8	+0.5	0.5	0.6	+0.1	0.4	0.4	0
York	0.6	0.2	-0.4	0.6	0.3	-0.3	0.6	0.3	-0.3	0.0	0.0	0	0.6	0.3	-0.3
East York	0.5	0.0	-0.5	0.3	0.1	-0.2	0.2	0.0	-0.2	0.4	0.1	-0.3	0.3	0.0	-0.3
Etobicoke	0.6	0.6	0	0.4	0.0	-0.4	0.7	0.3	-0.4	4.1	0.8	-3.3	1.1	0.3	-0.8
North York	0.5	0.2	-0.3	0.2	0.2	0	0.3	0.2	-0.1	0.5	0.3	-0.2	0.3	0.2	-0.1
Scarborough	0.2	0.4	+0.2	0.2	0.2	0	0.6	0.3	-0.3	1.0	0.6	-0.4	0.5	0.3	-0.2
Metro Toronto	0.9	0.4	-0.5	0.3	0.2	-0.1	0.4	0.3	-0.1	1.4	0.5	-0.9	0.5	0.3	-0.2
Mississauga	0.3	0.0	-0.3	0.4	0.3	-0.1	0.6	0.2	-0.4	1.7	1.2	-0.5	0.6	0.3	-0.3
Brampton	3.2	0.0	-3.2	0.2	0.1	-0.1	0.3	0.3	0	1.6	0.7	-0.9	0.5	0.3	-0.2
Richmond Hill	0.0	0.0	0	0.0	0.0	0	0.1	0.0	-0.1	0.0	0.0	0	0.1	0.0	-0.1
Ajax/Aurora/ Newmarket/Pickering/ E.Gwillimbury Whitchurch/Stouffville	2.3	0.0	-2.3	0.2	0.0	-0.2	0.4	0.0	-0.4	2.0	0.0	-2.0	0.6	0.0	-0.6
Markham	0.0	0.0	0	0.7	0.0	-0.7	0.2	0.0	-0.2	0.0	0.0	0	0.4	0.0	-0.4
Oakville	0.9	0.0	-0.9	0.4	0.3	-0.1	0.3	0.4	+0.1	0.0	0.0	0	0.3	0.3	0
Remaining part of C.M.A.	1.0	0.0	-1.0	0.3	0.2	-0.1	0.5	0.2	-0.3	1.5	0.9	-0.6	0.5	0.3	-0.2
Metro Toronto C.M.A.	0.9	0.4	-0.5	0.3	0.2	-0.1	0.4	0.3	-0.1	1.4	0.5	-0.9	0.5	0.3	-0.2

Source: C.M.H.C. Toronto Office

TABLE : 9

AVERAGE RENT OF APARTMENTS IN TORONTO C.M.A.
OCTOBER 1980 and 1981

	BACHELOR			1-BEDROOM			2-BEDROOM			3-BEDROOM			4-BEDROOM		
	Oct. '80	Oct. '81	% change	Oct. '80	Oct. '81	% change	Oct. '80	Oct. '81	% change	Oct. '80	Oct. '81	% change	Oct. '80	Oct. '81	% change
Toronto	$ 247	$ 274	10.6	$ 310	$ 337	8.6	$ 383	$ 413	7.6	$ 463	$ 474	2.4	$ 502	$ 495	-1.3
York	223	245	10.1	278	306	10.0	352	382	8.6	414	441	6.5	--	290	0.0
East York	259	273	5.2	291	302	3.6	346	352	1.6	432	428	-0.9	497	--	0.0
Etobicoke	218	281	28.7	277	311	12.2	343	379	10.6	413	456	10.4	510	350	-31.4
North York	242	248	2.6	285	315	10.4	333	361	8.5	392	426	8.5	490	423	-13.8
Scarborough	245	271	10.8	283	316	11.6	328	369	12.2	383	432	12.7	390	450	15.4
Metro Toronto	245	271	10.7	294	321	9.3	345	376	9.0	406	440	8.3	502	406	-19.1
Mississauga	221	262	18.8	281	319	13.8	333	379	13.8	396	442	11.8	491	490	- 0.2
Brampton	210	226	7.6	270	289	7.0	321	343	6.8	350	376	7.5	--	410	0.0
Caledon/Vaughn/ King Twp.	190	202	6.3	270	278	3.0	290	303	4.6	--	--	0.0	--	--	0.0
Richmond Hill	195	238	22.2	279	313	12.1	319	368	15.1	416	471	13.2	--	--	0.0
Ajax/Aurora/Whitchurch-Stouffville/Pickering/ Newmarket/E.Gwillimbury	158	177	12.3	261	296	13.5	304	330	8.8	356	376	5.6	--	--	0.0
Markham	206	246	19.4	278	300	7.9	320	345	8.0	376	400	6.3	--	--	0.0
Oakville	208	236	13.3	272	301	10.4	325	351	8.2	409	420	2.7	--	--	0.0
Toronto C.M.A.	$ 243	$ 269	10.9	$ 292	$ 320	9.7	$ 342	$ 374	9.5	$ 403	$ 438	8.6	$ 499	$ 409	-18.1

Source: C.M.H.C. - Toronto Office

and for the first six months of the 1981-82 fiscal year, and shown on Table 10. Between April 1, 1980 and March 31, 1981, a total of 395 hearings were held in Metropolitan Toronto representing 20,052 units whereas during the six month period between April 1,1981 and September 1981, a total of 272 hearings representing 12,364 units were held. The increase in applications was most noticeable in the Borough of Etobicoke where the number of units dealt with by hearing in the first six months of the 1981-82 fiscal year represented 75% of the number dealt with in the previous year. The average rent increase granted in hearings in Metropolitan Toronto was 11.2% in the fiscal year ending March 31, 1981, but rose to 14.1% in the first six months of the 1981-82 fiscal year. The highest increases were in the City of Toronto where the increase in rents granted rose from 12% in 1980-81 to 19% in the first six months of the 1981-82 fiscal year.

In the 1980-81 fiscal year, 90% of all cases in Metropolitan Toronto involved increased operating expenses, 77% involved capital expenditures and 19% involved increased financing costs. It is interesting to note that for the Province as a whole in the first six months of the 1981-82 fiscal year, 25% of all cases involved refinancing (either as a result of mortgage renewals or acquisition of buildings) and while cases involving increased operating costs were granted a 7.2% increase in rents, those where financing costs were a factor had increases of 17%.

6.0 HOME OWNERSHIP MARKET

Figure 3 shows the average price of multiple listing service sales for 1980 and 1981 by the Toronto Real Estate Board's sales districts. For the Toronto market area (which includes Metroplitan Toronto, Mississauga, Brampton and parts of the Regions of York and Durham) the average price rose 19% from $75,694.00 in 1980 to $90,203.00 in 1981. However, in some districts, particularly in Central Metro, prices increased as much as 60%.

TABLE: 10

INCREASES REQUESTED AND GRANTED IN METROPOLITAN TORONTO, APRIL 1980 - MARCH 1981 AND APRIL 1981 - SEPTEMBER 1981

Office*	No. of Hearings		No. of Units		Increase Requested		Increase Granted	
	Apr/80-Mar/81	Apr/81 - Sept/81	Apr/80-Mar/81	Apr/81-Sept/81	Apr/80-Mar/81	Apr/81-Sept/81	Apr/80 Mar/81	Apr/81 Sept/81
Toronto	161	87	3,864	1,431	17.78%	27.72%	12.16%	18.77%
Etobicoke	88	79	4,357	3,214	13.58%	16.29%	10.24%	13.29%
North York	67	50	5,566	2,048	14.66%	15.39%	11.02%	12.83%
East York	32	10	1,596	283	14.56%	20.27%	11.04%	14.64%
Scarborough	47	46	4,669	2,788	12.67%	16.44%	10.25%	13.37%
TOTAL	395	272	20,052	12,364	15.45%	17.94%	11.22%	14.06%

*Office correspond to municipal boundaries except for Etobicoke which also includes Borough of York.

Source: Residental Tenancy Commission, Annual Report 1980-81. and information obtained over the telephone from the Commission for the first six months of 1981-82

The distribution of percentage increases within the Toronto Real Estate Board's Districts is illustrated on Figure 4. The largest increases occurred along the Yonge Street Corridor, as far north as Richmond Hill and east and west along the Lakeshore within Metropolitan Toronto.

An analysis of monthly resale house prices indicated that the rapid escalation occurred mainly in the first half of 1981 and that prices slipped somewhat in the latter half.

While the average house price in 1981 was $90,203.00, Table 11 indicates that over 60% of total sales were less than average price.

TABLE: 11

DISTRIBUTION OF
1981 M.L.S. RESIDENTIAL
SALES

AVERAGE PRICE	NUMBER OF BUYERS	TOTAL % SALE	CUMULATIVE % TOTAL SALES
Less than $50,000	4,431	15	15
$50,000 - 64,999	5,969	20	35
$65,000 - 79,999	5,472	19	54
$80,000 89,999	3,136	10	64
$90,000 -109,999	3,821	14	78
$110,000 and over	6,796	22	100
	29,625		

Of the 29,600 sales in 1981, condominiums represented 29% compared to 18% in 1980. This would appear to indicate that the condominium market is becoming increasingly acceptable to buyers, and for many represents the only affordable ownership housing available.

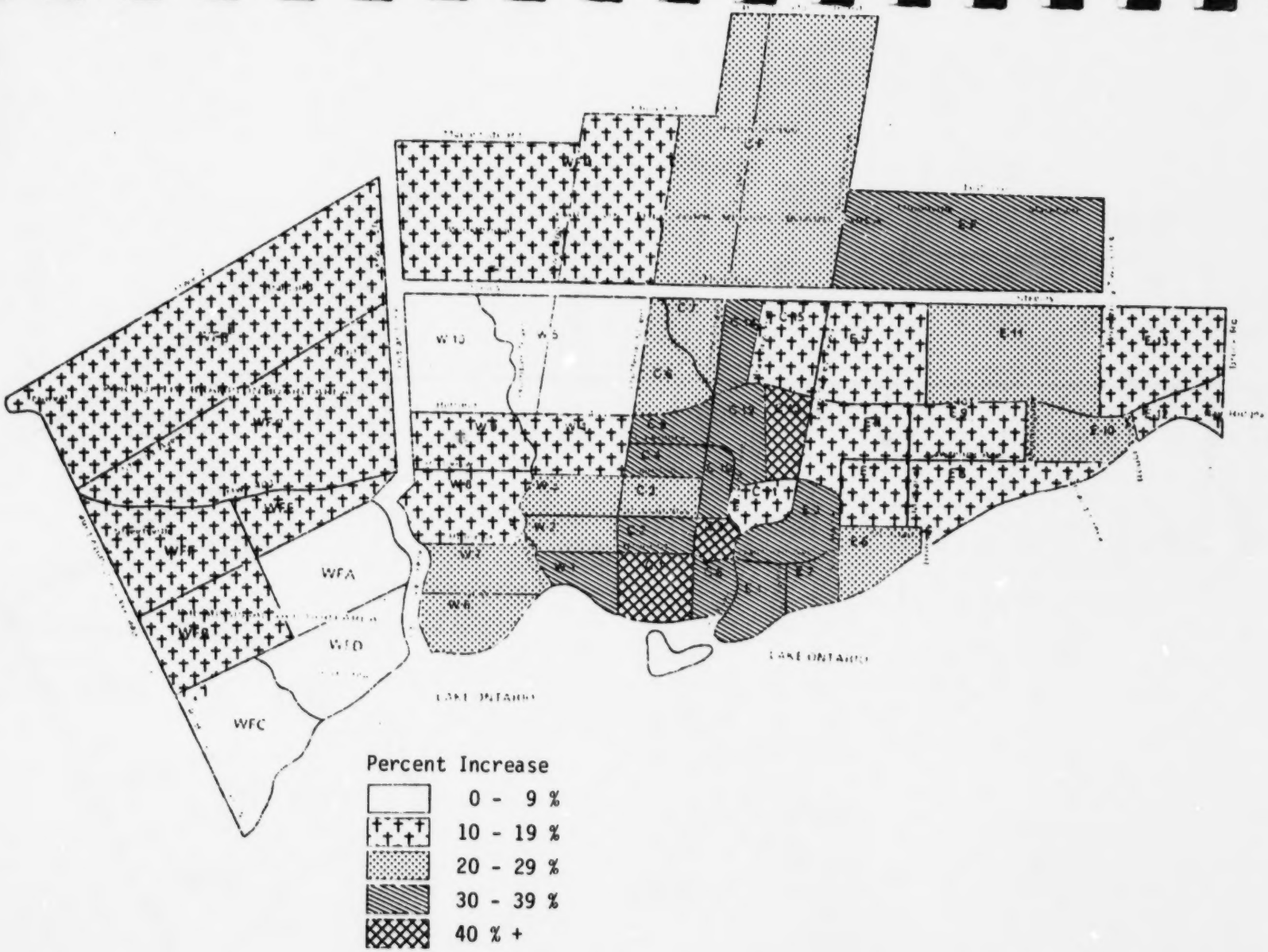

FIGURE 4:
PERCENTAGE INCREASE IN HOUSE PRICES BY TORONTO REAL ESTATE DISTRICT (1980–1981)

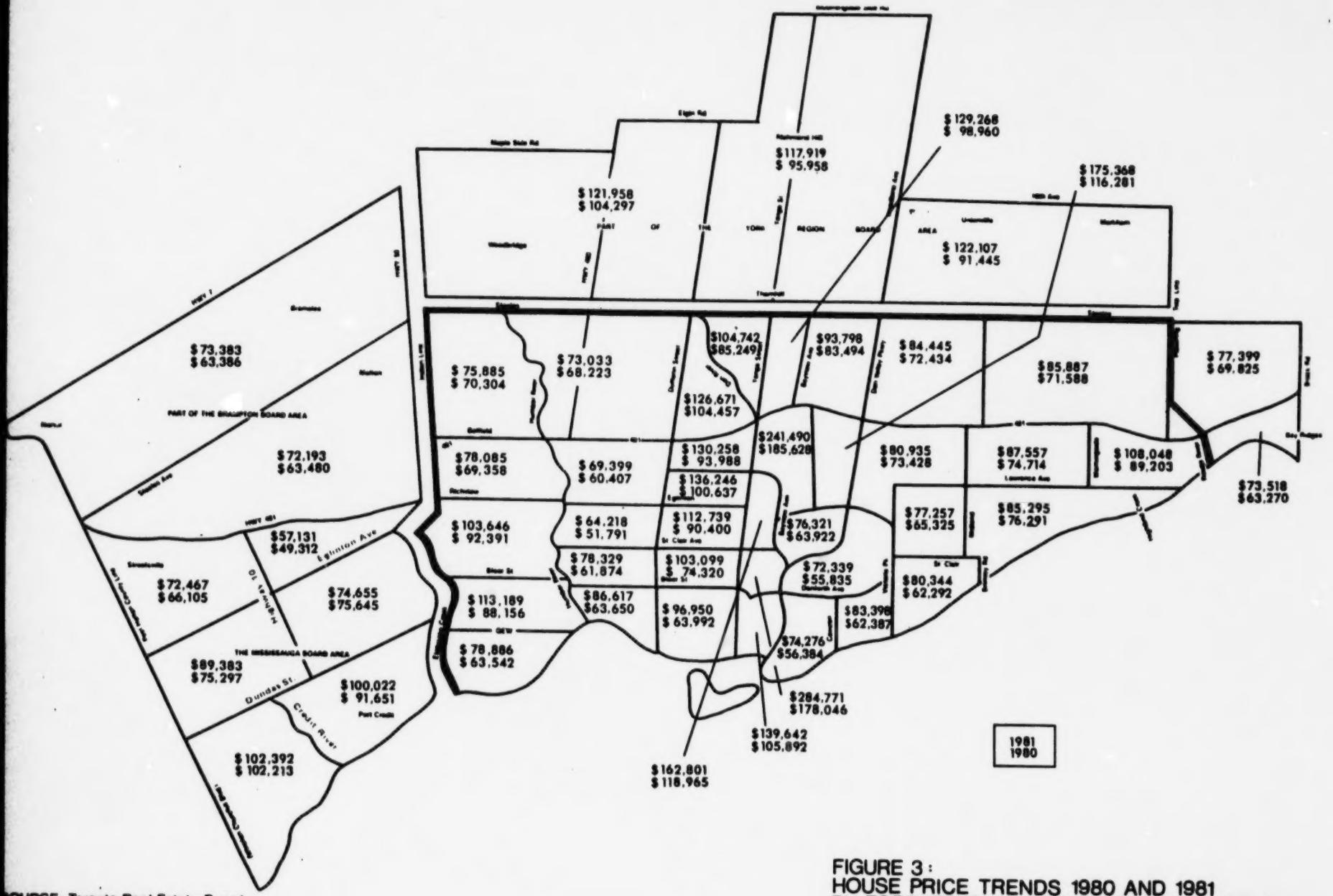

FIGURE 3:
HOUSE PRICE TRENDS 1980 AND 1981
BY TORONTO REAL ESTATE BOARD DISTRICTS

SOURCE: Toronto Real Estate Board

SUMMARY

1. Housing production within Metropolitan Toronto in 1981 declined by 5,000 units over the previous year to a total of 8,800 units. This was considerably below the average of 13,000 units over the past five years.

2. The downturn in production in Metropolitan Toronto was almost entirely offset by increased production within the four Regional municipalities, primarily of single family units. As a result of an increase of 3500 units in the Regional Municipalities, completions in the Toronto Region declined only slightly in 1981 to 27,200 units, from the 1980 total of 28,820 units.

3. Virtually all of the decrease in housing completions in Metropolitan Toronto was the result of a decline in apartment unit completions which decreased from 8,210 units in 1980 to 4,059 units in 1981.

4. Two-thirds of apartment unit completions in Metropolitan Toronto were condominiums, located primarily in the City of Toronto.

5. The largest single decline, by unit type, was in private rental apartment completions which decreased from 4,111 in 1980 to about 400 units in 1981.

6. Social housing apartment completions which declined from 2,871 units in 1980 to 984 units in 1981 were the largest source of new rental accommodation in Metropolitan Toronto.

7. Waiting lists for assisted housing within Metropolitan Toronto have increased by 18.5% for seniors (to 2,875) and by 53.1% for families (to 9,307), within the last year.

8. The apartment vacancy rate in both Metropolitan Toronto and the four Regional Muncipalities declined to 0.3% in October 1981. While apartment starts in the four Regions increased from 2,215 units in 1980 to 3,770 in 1981, they declined from 5,230 to 4,150 units in Metropolitan Toronto during the same period.

9. Rents in Metropolitan Toronto increased by an average of 10% during 1981. These increases probably resulted from a combination of higher rents in non-rent controlled buildings, and an increase in the number of successful applicants for rent review.

10. Average house prices in the Toronto market area rose 19% from $75,690.00 in 1980 to $90,203.00 in 1981. The highest increases occurred in the central area of the City of Toronto, along the Yonge Street Corridor to Steeles Avenue and in Markham.

CONCLUSION

The low vacancy rate coupled with a sharp decline in production of rental units points to a potentially serious short fall in the availability of rental housing within Metropolitan Toronto. A rapid reversal of this situation is unlikely due to continuing high interest rates and rent control.

It is recommended that the 1982 Annual Housing Report focus on an analysis of the demand for rental accommodation within Metropolitan Toronto and the potential to satisfy this demand through redevelopment and/or the more efficient use of the existing housing stock.